

# Enhancing Customer Service Quality through Employee Stock Ownership Plans (ESOPs)

The Impact of Employee Ownership on Company Performance

# Intro.

A recent report by Gallup highlights a disturbing trend in the US labor market. They show that 50% of employees were disengaged in 2023, causing \$8.8 trillion in lost productivity. As a result, companies are looking to more effective ways of engaging and motivating their employees that go beyond pizza parties and slogans. Inc Magazine recently published an article titled “How Employee Ownership Becomes Employee Engagement.” The author cites examples demonstrating how ESOPs and communities of practice better motivate and engage employees by fostering collaboration and innovation, and by providing the autonomy and flexibility needed for employees to pursue their professional passions.

## Understanding ESOP

ESOPs represent a transformative approach to business ownership, aligning the interests of employees and the organization’s success. According to research from Warton School of Business, seven of the largest 15 engineering companies in the US are 100% employee owned, as are WinCo and Publix, two of the largest supermarket chains in the United States, and ACT, a leading BPO.

At its core, an ESOP is an employee benefit plan that enables workers (including phone agents) to become beneficial owners of the company they work for by acquiring shares. The primary purpose of ESOPs is to create a sense of shared ownership among employees. Unlike traditional models where employees are mere workers, ESOPs transform them into stakeholders with a direct financial stake in the company’s fortunes. This transition fosters a deeper sense of commitment, loyalty, and motivation among employees, which can significantly affect the company’s performance.

## The impact of ESOPs on company performance

The adoption of the ESOP model can have a profound influence on the performance and sustainability of companies. Research conducted over the years has revealed compelling evidence that ESOP-owned

companies consistently outperform their non-ESOP counterparts, even under challenging economic circumstances.

**Resilience during economic downturns.** A 2020 study led by Phil Swagel of the McDonough School of Business at Georgetown University, conducted during the onset of the 2008 recession, provided a remarkable testament to the resilience of ESOP-owned companies. The research demonstrated that ESOP companies not only weathered the economic storm but thrived. Even in the first year of the recession, they were actively adding employees and enjoying double-digit growth. This resilience can be attributed to the alignment of employee and shareholder interests, which drives a collective commitment to the company’s success.

**Business survival and longevity.** In another comprehensive study, Dr. Joseph R. Blasi and Dr. Douglas L. Kruse, both esteemed professors at the School of Management and Labor Relations at Rutgers University, conducted a decade-long analysis comparing 1,100 ESOP-owned companies to 1,100 non-ESOP companies. The results were enlightening, indicating that ESOP-owned companies exhibited a remarkable business survival rate of 77.9%, significantly surpassing the rate of 62.3% for their non-ESOP counterparts. This study underscores the long-term sustainability advantages that ESOPs can offer to companies, contributing to their ability to navigate economic turbulence and market fluctuations.

The success stories emerging from these studies underscore the positive impact of ESOPs on company performance. The alignment of employee interests with those of shareholders, stemming from employee ownership, creates an atmosphere of shared commitment, innovation, and dedication. This synergy, evident in improved financial performance, business survival, and growth, reinforces the compelling case for ESOP adoption. The advantages extend not only to the company itself but also to the clients they serve.

## The ESOP advantage in BPO

As the largest ESOP in the Business Process Outsourcing (BPO) Industry, Employee Experience is at the center of our business strategy. After converting to the ESOP model, ACT saw employee attrition drop by 31%. Moreover, as a 100% employee-owned company, our employee owners have a personal interest in delivering value to our clients, and their motivations are uniquely aligned to our clients' success. As a result, in the past few years ACT has experienced double-digit revenue growth and rapid expansion while many in the BPO industry experienced declining revenues.

## Client benefits

The adoption of ESOPs by BPO firms brings a host of benefits to their clients. In this section, we'll explore how these client benefits manifest and why clients often find ESOP-based BPO partnerships particularly advantageous.

1. **Enhanced service delivery.** ACT employees are driven by a commitment to excellence, resulting in higher service quality. Clients benefit from accurate, reliable, and consistent service, ensuring their operations run smoothly and efficiently.
2. **Higher customer satisfaction.** ACT's satisfied employees are more motivated to deliver exceptional service, which, in turn, leads to higher levels of customer satisfaction. Further, lower employee turnover retains domain expertise and client relationships, such as those cited in the introduction of this blog.
3. **Competitive advantage.** Brands with superior customer experience bring in 5.7 times more revenue than competitors that lag in customer experience. ACT can uniquely help you achieve superior customer experience. Being 100% employee owned, our employee owners have a personal interest in delivering value to our clients, and their motivations are uniquely aligned to our client's success.
4. **Stronger client-provider relationship.** Unlike the typical top-heavy BPOs, ACT has eliminated unnecessary overhead by giving you direct access to your program leadership and removing P/L responsibilities from Operations. This unique approach keeps our team focused on delivering value to our clients, exceeding SLAs, and quickly responding to changing needs, while also ensuring complete transparency into project performance. As a result, our client tenure is 3x the industry average.
5. **Proactive issue resolution.** The sense of ownership among ACT owner employees results in a culture of proactive problem solving. When combined with our delayed organizational structure and removal of P/L responsibilities from operations, our leadership is empowered to be nimble and agile in responding to our client's quickly changing needs.
6. **Tailored solutions.** ACT solutions are more flexible, and our employees are empowered (and willing) to customize solutions to meet the unique needs of their clients. This tailored approach ensures that the services provided align perfectly with the client's goals and objectives.

**Real-world examples of client satisfaction.** One of the more reliable ways to measure client satisfaction is with the renewing of contracts with existing BPO partners. While many of the mega-BPOs boast client retention of three - five years, client retention for the largest ESOP in the BPO Industry (ACT) is nearly 3x that amount. One-third of ACT's clients have an average tenure of 11 years and one-half of their clients have a tenure of eight years. Another measurement is client scorecards measuring delivery on Service Level Agreements (SLAs). Across its client base, ACT enjoys a 98% green scorecard rating. And this is not a short-term anomaly: many of ACT's clients have had a green scorecard for 23+ consecutive months.

## Conclusion.

In conclusion, the adoption of Employee Stock Ownership Plans (ESOPs) in the Business Process Outsourcing (BPO) industry has demonstrated a transformative impact on both employee engagement and company performance. As organizations seek effective strategies to address the alarming trend of employee disengagement, the ESOP model emerges as a compelling solution that goes beyond traditional approaches.

Real-world examples presented in this paper, such as ACT's impressive client retention rates and consistently high scorecard ratings, underscore the tangible impact of ESOPs on client satisfaction and long-term partnerships.

In essence, the growing body of evidence supports the conclusion that the adoption of ESOPs in the BPO industry not only enhances employee engagement but also delivers higher-quality services to clients. As organizations navigate the evolving landscape of employee motivation and client expectations, ESOPs stand out as a proven and impactful model for fostering a culture of shared commitment, innovation, and dedication.



### About ACT.

ACT is the largest ESOP in the BPO industry and was founded 27 years ago on a winning formula – that the best solutions integrate Employee Experience (EX) + Customer Experience (CX) + User Experience (UX) + Digital Experience (DX) + Multi-experience (MX) for an outstanding Total Experience (TX) overall. We call it the Total Experience Formula™.

Today, many of the world's leading brands and Fortune 50 trust ACT to be an extension of their business to unlock their ability to respond quickly to rapidly changing competitive, business and compliance environments, to anticipate and scale for future needs, to outmaneuver their competition, to lower operating costs, to improve efficiencies, to drive revenue and increase customer engagement.

When clients first come to us, we consistently find it to be an opportunity to transform their design and outcomes. ACT has invested significantly in mapping the end-to-end employee experience to ensure our employees are engaged, empowered to be successful, and highly motivated to deliver the best outcomes for our clients.

ACT offers the operational expertise, technologies and best practices that you expect from a world-class BPO, combined with the innovative solutions, flexibility and individual attention that you can only get from a 100% employee-owned company.

